

Message Text

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61

ACTION ARA-20

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FM AMEMBASSY QUITO

TO SECSTATE WASHDC PRIORITY 2593

S E C R E T QUITO 6327

STADIS//////////

E.O. 11652: XGDS

TAGS: ENRG EINV EC

SUBJECT: TEXACO-GULF PROBLEMS

REF: A) STATE 207069 B) QUITO 5958 C) QUITO 6313

1. NOTE: THE FOLLOWING INFORMATION WAS PROVIDED TO DCM
SEPT. 25 BY RELIABLE SOURCE HIGHLY KNOWLEDGEABLE OF ECUADOREAN
PETROLEUM SCENE. IT SHOULD NOT BE DIVULGED OUTSIDE OF
DEPARTMENT OR TO PETROLEUM INDUSTRY, PARTICULARLY TEXACO
OR GULF.

2. SOURCE CONFIRMED THAT NO PAYMENTS HAD BEEN MADE BY CEPE
TO TEXACO AND GULF BEYOND INITIAL \$25 MILLION PARTIAL PAYMENT
ON 25 PER CENT PARTICIPATION. HE SAID THAT GOE HAD ADVANCED THIS
FIRST 25 MILLION TO CEPE BECAUSE CEPE WAS NOT AND IS NOT
YET IN LIQUID POSITION. WHEN ASKED WHY GOE WOULD NOT ADVANCE
ADDITIONAL FUNDS TO PERMIT CEPE TO PAY TEXACO-GULF FOR (A)
REMAINDER OF 25 PER CENT PARTICIPATION, (B) ONGOING OPERATIONAL
COSTS AND (C) COST OF PRODUCTS SOLD FOR DOMESTIC CONSUMPTION,
SOURCE SAID THIS WAS RESULT OF PRESSURE TACTIC TO BACK
TEXACO AND GULF AGAINST THE WALL. HE DID NOT ELUCIDATE
FURTHER.

3. SOURCE SAID THAT TEXACO-GULF WOULD NOT BE FINANCIALLY
HURT BY CEPE RE-PURCHASE AGREEMENT AT 93 TO 95 PER CENT

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ECUADOREAN REFERENCE PRICE AT PRESENT PETROLEUM MARKET STRUCTURE.

HE SAID THAT HE BELIEVED THE PLAN OF MINISTRY OF NATURAL RESOURCES WAS TO INCREASE ITS PARTICIPATION IN INCREMENTS OF 5 PER CENT OR SO UNTIL IT HELD MAJORITY OWNERSHIP OF PARTNERSHIP OVER A PERIOD OF 3 TO 4 YEARS. EVEN AT THIS MAJORITY POSITION AND WITH THE HIGH BUY-BACK PERCENTAGES THE US PARTNERS WOULD BE IN A BETTER FINANCIAL POSITION THAN THEY WERE BEFORE THE 1973 OIL CRISIS BEGAN. IN OTHER WORDS, AT THE PRESENT WORLD PRICE STRUCTURE THE SPREAD FOR THE U.S. COMPANIES WOULD BE CONSIDERABLY GREATER THAN PREVIOUSLY.

4. THE DCM ASKED THE SOURCE WHAT HE KNEW ABOUT A PRESS REPORT (FYI: A FBIS REPORT FROM ECUADOR RECEIVED SEPT. 25) TO THE EFFECT THAT NATURAL RESOURCES MINISTRY HAD ANNOUNCED A REDUCTION IN PETROLEUM PRODUCTION IN ORDER TO PROTECT RESERVES IN KEEPING WITH THE "OIL POLICY ADOPTED BY THE OPEC MEMBER NATIONS." THE SOURCE SAID THAT THERE WAS NO RESTRICTION ON TEXACO-GULF-CEPE PRODUCTION BEYOND THE 210,000 BARRELS A DAY LIMIT INTRODUCED SOME MONTHS AGO. HE SAID THAT PRODUCTION TODAY WAS BELOW THAT LEVEL BECAUSE OF TECHNICAL AND CEPE MARKETING REASONS, NOT BECAUSE OF GOE POLICY ON PRODUCTION.

5. IN CONNECTION WITH RECENT STRONG RUMORS THAT MINISTER JARRIN WOULD BE REPLACED AS SOON AS HE RETURNED FROM VIENNA CONFERENCE (REF B), THE SOURCE SAID THAT HE FELT THAT JARRIN WOULD LEAVE EITHER WITHIN A WEEK OR BEFORE THE END OF THE YEAR. THE DCM COMMENTED THAT JARRIN'S POSITION MIGHT HAVE BEEN STRENGTHENED BY THE RECENT SPEECHES BY PRESIDENT FORD AT THE U.N. AND AT THE DETROIT ENERGY CONFERENCE AS WELL AS BY SECRETARY KISSINGER'S U.N. SPEECH BECAUSE HE HAD BEEN ABLE TO USE THESE SPEECHES AS A BASIS FOR A HIGHLY NATIONALISTIC REBUTTAL (REF. C). IN ADDITION 15 IMPORTANT COMPANIES ARE TRYING TO QUALIFY TO BID FOR THE GAS CONCESSIONS IN THE GULF OF GUAYAQUIL INCLUDING THE REPUDIATED ADA CONCESSIONS. THE SOURCE REPLIED THAT THIS MIGHT WELL BE TRUE BUT IT WAS NOW SUCH COMMON KNOWLEDGE THAT JARRIN AND HIS ADVISORS WERE SO MUCH "ON THE TAKE" THAT JARRIN'S POSITION WAS STILL IN SERIOUS JEOPARDY. HE WENT ON TO SAY THAT ANY PERSON NAMED TO BE MINISTER TO REPLACE JARRIN WOULD FIND IT VERY DIFFICULT

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TO BACKTRACT FROM THE "FLAG WAVING" POSITIONS THAT JARRIN HAD TAKEN. "BETTER TO LIVE WITH THE ILLS THAT WE KNOW," HE SAID, "THEN TO FLY TO THOSE WE KNOW NOT OF."

6. COMMENT: ALTHOUGH SOURCE IS HIGHLY KNOWLEDGEABLE, GOE PETROLEUM POLICY MAY NOT TURN OUT TO BE AS STABLE AS HE ASSUMES. EL COMERCIO QUOTES JARRIN AS SAYING THAT ACTING WITHIN THE OPERATIVE NORMS OF OPEC HE WILL

SHORTLY OPEN NEGOTIATIONS FOR CEPE'S ACQUISITION
OF THE MAJORITY OF TEXACO GULF SHARES.
BREWSTER

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